G. R. S. 58
Previous references.

File No. 19—13

Serial Nos. 47 & 48

1913-14
(Banking)

Later references.
40 & 16 & 6, 12, 13, 14, 21
25, 26, 27, 28: 29, 30
May 1917
33-19 & 6: 1-4, 8 January 1920.

GENERAL AND REVEN

Serial Nos.

Part B. for September 1914

SUBJECT.

Request of the Manager of the Bank of Mysore for abrogating the clause in the G.O. of the 12th March 1913 prohibiting loans on the mortgage of immovable property

47 From the Manager, Bank of Mysore
No. G 1/105) 5-5-1914
Requests for reasons stated the abrogation of the clause relating to the prohibition of land mortgage in the G.O. of the 12th March 1913

To the Manager, Bank of Mysore
GPB—8,000—7-4-07
H 1312) 16-9-14
Reports for reasons stated that Govt unable to view the request with favo

GENERAL AND REVENUE SECRETARIAT.

(Banking

NOTES.

File No. 19

FILE HEADING.

Bank of Mysore Ld

From

The Manager, Bank of Mysore Ld

No. G 1/103 Dated 5-5-14 Received 8-5-14

Diary No. 4503	Enclos. Nil Spare Copies.	Serial No. 47

BRIEF ABSTRACT OF LETTER.

Requests for reasons stated, the abrogation of VII of clause 5 of the G.O of the 12th March 1913 binding the Bank not to lend money on the security of immovable property.

NOTES AND ORDERS.

Some time back the Bank proposed the abrogation of the clause relating to foreign investments in the order of the 12th March 1913 sanctioning the formation of the Bank. After some

NOTES—First Sheet.

GPB—35,000—15 6-12

Serial No.

Some correspondence about the nature of these foreign investments has transpired only recently which has led to relegate that question for the present.

2) In the letter under reference much stress is laid on the lack of commercial & industrial pursuits in the State affording field for investment of the funds at the disposal of the Bank.

The main object of the Bank was the development of trade & industry in Mysore & with this object in view the memorandum of the Articles of Association were framed. No obstacles were to be placed for the furtherance of this main object but precautions were deliberately taken not to divert funds into channels which them would serve this main object of fostering the trade & industries.

3) Hence the immovable property on which transactions were to be allowed were when such property is not the sole security

2 / 1
Vide para 2 of Confidential D O No 271 J 3rd Feby 1913 from the Chairman of the Dem

Memorandum of Association 3 (13)

NOTE.—Contn. sheet.

General and Revenue Secretariat. | B File No. 69 of 1913.

Serial No.

but is included as security along with movable property such as machinery plant etc.

& again in 3 B (4) explicitly the Bank shall not have power to make advances, lend or open credit upon mortgage or in any manner solely upon the security of immovable property or the document of title relating thereto

4) The only inclusion of land as security for loans is when it happens to be a site of industry & the other forms of land security are equally deliberately excluded

5) The present proposal of the Directorate is to convert the Concern into a land mortgage Bank. The reasons adduced may be unquestionable but if the request is allowed it would be against the deliberate objects as expounded in the Memorandum of Articles of Association drawn under the advice & guidance of Govt. Draft [illegible] of the Bank

R. S. 12]

General and Revenue Secretariat.

B File No. 19 of 1913.

Serial No.

is already allowing loans on personal security coupled with the deposit of title deeds of property & what is now asked is to legalise these transactions 7) But strictly this was not contemplated when it is not during the purposes pending amount industry & is therefore an evasion of the object in view, & it is equally possible that the Bank may not thrive if the latitude now asked is not allowed. These are for further consideration & orders of Govt. submd.

Bank SW
29/5-7/6

Serial No.

8) It will be observed that the State bei mainly agricultural, there is not much tr even in Bangalore. Consequently the wh of the Bank's capital cannot be employe in trade and commerce.

9 With a view to prevent the funds of the Bank being kept idle and to allow of their being made use of by large number of people other than pure merchants and traders, it will be desir to permit the Mysore Bank to invest a por of its funds in land mortgage. But as t present capital of the Bank will be very insufficient for giving loans on land mortg to any appreciable extent it will be necessar to increase the shares and allot a portion o the total capital not exceeding 50% for this kind of business and not merely abrogate the restriction just to suit the convenience of Bank and give it an outlet for idle cash at times when money is easy. It is desirable th both operations i.e. financing of trade and commerce and the relieving of indebtedne on the part of the property owners should go o simultaneously and if the Bank can make t Departments and work with earmarked sums and transfer funds from one Department to

General and Revenue Secretariat. | B File No. 19 of 1913.

Serial No.

another under rules to be accepted by Gov there would be no objection.

10 The permission asked for by the Mysore Bank may be granted and clause (vi) of para 5 of G.O. No: 5121-73-B 9-12-2 dat 12-3-13 modified accordingly if the Bank ac cepts the above views & send up a set of rules f working the two Departments.

Dedecs

11 I am against allowing the Bank to lend money on the security of immovable properti because:-

(a) It is risky to combine commercial banking and mortgage banking in the same institution.

(b) There are no strong grounds for State suppo to a mortgage Bank.

(c) The experience of Agricultural Banks shews that increased facilities for raising loans on the security of landed property is not an unmixed blessing.

(d) The market value of landed property is very difficult to ascertain as erroneous valuati in the case of loans to encumbered jagirdar

R. S. 12]

General and Revenue Secretariat.

File No. 19 of 1913.

Serial No.

Shew. M 14/8

654 4.8.14

Dewan Yes ii

12) The Dewan desires that the draft-Agreement mandate file may kindly be Scrutinised by the Financial Secretary.

By Order.

S Ranjanayya

13/8/14

13) Please see pencil alterations effected on the Draft Bill

Yes 16.8.14

Yes

14) Why omit reference to Presidency & Baroda Banks? Please verify with reference Presidency Bank act & Baroda Bank papers.

M 15/8

15) Papers relating to Baroda Bank are not available. As regards the Presidency Banks the Act removes them from exemption on immoveable properties but in practice Govt never purchased immoveable property that is accepted as collateral security & there is no

NOTE—Contn. sheet.

GPB—60,000—7-11-13

General and Revenue Secretariat. | B File No. 19 of 1913.

Serial No.

Enquiries are taken pl to keep them in the four Corners of the Section. However them Memorandum of the addl Heads.

25-8-14

142 Dedecas:

16) I agree with the draft. I am not sure of the Baroda Bank practice. The changes suggested by M/s in the last two sentences may be approved

M
24/8
to
25-8-14

1129/27.6.14 Dewan)

Draft finally revised and approved by Dewan

12-9-14 [F.C. to be signed first here] DS Rice to 12-9-14

48 To the Chairman, Bank of Mysore.

D.O. F.C. 1312) 16-9-14

Expressing regret of Govt that they are unable to favour the proposal with favour as the Bank was primarily started for the Development of trade & Industries

L COMMUNICATIONS TO BE ADDRESSED
TO THE MANAGER
GRAPHIC ADDRESS: "MYSOREBANK"
CODE: A. B. C. 5TH EDITION.

Copied.

The Bank of Mysore

Bangalore, 5th May

No. G. 1/103.

II Banking S/S
7:5.17

The Secretary to the Government of
His Highness the Maharaja
Financial Branch,
Bangalore.

Sir,

I am desired by the Directors to bring to the notice of the Government of H.H. the Maharaja the difficulty and inconvenience which the Bank is subjected to by reason of the restriction imposed by Government under Cl.5, para vii, of the Government Order No.Fl.5121-73/ B.9-12-2 dated 12th March 1913 viz., "not to lend money on the security of immovable property."

It is unnecessary to mention that as the prevailing condition of the Province is mainly agricultural, the investments of its inhabitants must, naturally, be in land or buildings, and further, it is well known that the industrial and commercial pursuits which obtain in such trade centres as Calcutta, Bombay, Madras and elsewhere are, wholly, absent, and the trade of the country is, practically, in the hands of retail merchants. This being the case, it obviously, follows that the Banking securities available at such commercial centres are entirely lacking

in Bangalore, and the Directors are thus limited, as regards cover for the Banks local advances, to:

(a) the deposit of gold and jewellry,
(b) produce loans
& (c) "foreign" securities in a very minor degree.

Nor, can it be claimed that an outlet for the Banks funds against such securities is available to any appreciable extent, and it follows that the main security for advances must be based on personal credit- not altogether a satisfactory basis. In consequence of this Government prohibition, the Bank in order to secure its personal advances, demand, if available, the deposit of the title deeds of a debtor's property with an - - agreement to mortgage, if necessary, and/or a written lien on his stock-in-trade and outstandings together with the execution of an On Demand Promissory note. But in adopting these measures, the legal position of the Bank is far from satisfactory. The proceedure adopted can only be looked upon more as a moral deterrent than a valid security, as the non-application, in Bangalore, of Sec.59, Para 3 of the Indian Transfer of Property Act renders such deposits worthless against a registered mortgage over the property, and even in the

event of other creditors attaching a debtor's property, it would be necessary for the Bank, in order to protect its interest, to file a regular suit and, thereafter, attach the property and probably, share the sale proceeds proportionately with these other creditors. From this brief statement of the unsatisfactory position of the Bank, it appears incongruous to the Directors that the Bank should in the first instance be prohibited from advancing on a class of security which it must finally lay claim to by legal measures in order to recover its advances.

Further, there can be no question that the good services which the Bank would be able to render to traders and agriculturists are also entirely frustrated. The Bank are daily declining applications for advances from landholders unable or unwilling to find a gurantor, or to tender some marketable security, and until the restriction, now in force, is removed, it is unreasonable to expect any improvement in the financial condition of the population - the main reason for which the Bank was founded.

For these cogent and urgent reasons, I am instructed to ask for the early removal of paragraph vii in Cl.(v) of their order previously quoted, and should Government be

pleased to accord their approval to the same, the Directors will thereafter take the necessary steps to obtain the sanction of the shareholders, and the High Court to the necessary amendment in the Banks Memorandum & Articles of Association.

In conclusion, I may add that it is not the intention of the Directors to embark upon a general policy of - - advances on the security of mortgaged property, and it is their intention to address the Government, in a further communication, on the subject of the early introduction into the Province of the Indian Transfer of Property Act, and the application of Sec.59, para 3 of that Act(i.e., the deposit of title deeds) to Bangalore and elsewhere by which it will then be possible for the Bank to have its advances placed on a more secure and realizable footing.

I have the honor to be,
Sir,
Your most obedient servant,

Manager.

DRB/

Rajasabhabhushana Dewan Bahadur
K.P.Puttanna Chetty Esq.,
Chairman, Bank of Mysore,
Bangalore.

Dear Sir,

With reference to your letter No. 91/103 dated the 5th May 1914 regarding the proposal to allow the Mysore Bank to lend money on the security of immoveable propert I am desired to express the regret of Gover ment that they are unable to view the propo with favour. The Bank was started primaril with the object of affording facilities for the development of the trade and industries within the State and the credit of the Bank is likely to be affected if the securities held are not in an easily realizable form. The Presidency Banks in British India and the Bank of Baroda are not allowed to lend money in the manner proposed by you. ~~In th opinion of~~ Government, ~~no changes should be allowed which are likely~~ to affect confiden in the stability of the Bank.

Yours sincerely,

Secretary.